

INMATE WELFARE FUND

DEPARTMENT OF CORRECTIONS

JUNE 2022

Focused Evaluation
A report to the Montana Legislature



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§5-13-202(2), MCA

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PERFORMANCE AUDITS

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Members of the performance audit staff hold degrees in disciplines appropriate to the audit process.

Performance audits are conducted at the request of the Legislative Audit Committee, which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

This report is distributed as required under §5-13-304 (3), MCA, to members of the Legislative Audit Committee and other interested parties. This report contains a written response from the Department of Corrections and we wish to express our appreciation to department staff for their cooperation and assistance during our audit.

Respectfully submitted,



Angus Maciver, Legislative Auditor

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MONTANA LEGISLATIVE AUDIT DIVISION

FOCUSED EVALUATION

A report to the Montana Legislature
Angus Maciver, Legislative Auditor

BACKGROUND

The Department of Corrections (DOC) manages a fund authorized in statute called the Inmate Welfare Fund (IWF). Revenue to the IWF is mostly inmate-generated, almost entirely from telephone use by inmates and the sale of canteen items to inmates. All secure facilities housing state inmates, both those managed by the department and contracted, participate in the IWF.

The IWF is comprised of two parts, a Facility Fund portion and a Global Fund portion. For the Facility Fund portion, each facility participating in the IWF develops an annual IWF budget with input from residents at the facility. The remaining portion of the IWF available after facility budgets are determined is termed the Global Fund. The Global Fund is used for individual release assistance and for implementing projects that benefit inmates.

INMATE WELFARE FUND

The Department of Corrections generally administered the Inmate Welfare Fund (IWF) according to state law and department policy. However, we identified some questionable IWF expenses and inconsistencies in administrative processes that suggested policy clarifications and revisions are necessary.

What we did

The objective of our audit was to determine whether the department administers the IWF according to state law and department policy. For this performance audit, we reviewed samples of IWF revenue and expenditure line items from the state's accounting system between fiscal years 2019 and 2021. We interviewed department and contractor staff at each facility to learn about administration of the IWF. We also interviewed inmate representatives at two facilities to learn about how inmates provide input on spending of the IWF and their satisfaction with the process. Additionally, we talked to four other states that administer an IWF-equivalent.

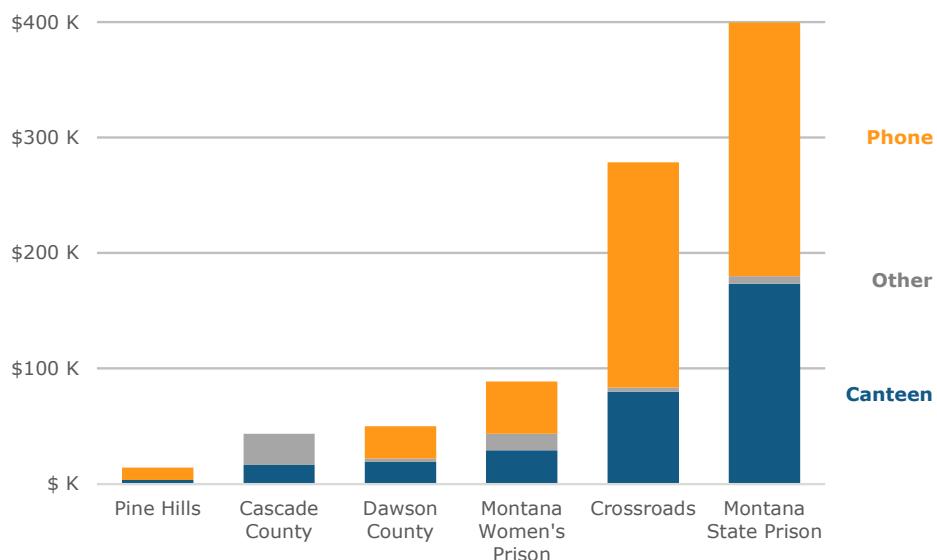
What we found

Most IWF expenses we reviewed were appropriate. However, we identified some inappropriate and questionable IWF expenses and inconsistencies in administrative practices across facilities. Most inappropriate IWF expenses we identified occurred due to clerical errors. Some questionable IWF expenses occurred due to varying interpretations of IWF policy across facilities or over time. We also identified some IWF purchases that raised reasonable questions about whether the state or the facility should have funded them instead of the IWF. For example, the department used the IWF to pay for items provided to indigent inmates that, while permitted in policy, should be considered part of the state's responsibility. The department also used the IWF to pay for computers and printers at the prisons to be

used by inmates to do legal research. This IWF expense could be considered part of providing adequate access to the courts, which is the department's responsibility. Another questionable IWF expense was for the annual licensing cost for a GED study program. This was questionable since it could be considered part of the facility's contractual responsibility. Additionally, we found some administrative requirements in department policy were not consistently followed or did not reflect current practice across facilities.

Most IWF revenue came from phone contract commissions and canteen sales.

FY2021 IWF Revenue by Facility



IWF revenue items were supported by sufficient documentation

We reviewed 50 of 386 Facility IWF revenue line items from fiscal years 2019 through 2021 from the state's accounting system. This sample included approximately \$349,000 in IWF revenue. We judgmentally selected the sample to include revenue from each facility and from different sources, such as telecommunications contract commissions, canteen sales, and other sales of items to inmates. We found IWF revenue sources aligned with what is required in state law and department policy. We also found all sampled revenue line items were sufficiently supported by documentation maintained by the department.

The IWF is for the needs of inmates and their families

State law says the IWF may be used for the needs of inmates and their families. Department policy on administration of the IWF echoes this language. The policy further states the IWF should not be used to provide services, supplies, or equipment that the department or the facility is obligated to provide for the health, welfare, security of inmates, or the general operation of a prison. The policy applies to all secure facilities, both department-owned and contracted. It is the department's responsibility to ensure policy is written in a clear manner that reflects current requirements and expectations. Policy should also be written to encourage consistent understanding and compliance across facilities. Adequate training on and understanding of the policy is important for achieving consistent application across different facilities.

Most IWF purchases were appropriate IWF expenses

We reviewed 100 Facility Fund and 41 Global Fund expenditures from fiscal years 2019 through 2021 from the state's accounting system. This sample included approximately \$435,000 in expenditures from the IWF. Most of these were judgmentally sampled to target potentially high-risk expenditures and to obtain a broad range of expenditure types from this time frame. High-risk expenditures were those with records in the state's accounting system that were unclear on the detailed nature of and purpose of the purchase. The samples were selected from the population of 2,607 Facility Fund and 959 Global Fund expenditure line items. Overall, most

of the sample items we reviewed were appropriate IWF expenses. For example, many of the expenses in our sample were for the following items or types of items:

- Entertainment, such as television, movie, newspaper and magazine subscriptions, and video games.
- Recreational equipment and repair and maintenance on recreational equipment or recreational spaces.
- Appliances or repair and maintenance on appliances used by inmates.
- Hobby supplies.
- Holiday and other handouts to residents.
- Family events.
- Inmate wages for limited types of inmate jobs. *Note: Wages for other types of inmate jobs are paid by General Fund or Enterprise Fund, not IWF.*
- Staff pay when staff supervise inmates on escorted leave, such as for a funeral or sick bed visit, or when staff supervise tournaments.
- Assistance for individual inmates upon release for housing or transportation.

We considered these items to be appropriate IWF expenses that were for the benefit of inmates and their families and not part of the state's responsibility.

Some IWF expenditures were inappropriate or questionable

While most IWF purchases we reviewed were appropriate, we determined some IWF purchases in our sample were inappropriate or questionable. We found inappropriate IWF expenses that occurred due to clerical errors or staff turnover. These expenses should not have been funded by the IWF because they were part of the state's responsibility or did not directly benefit inmates. These included:

- A chaplain membership renewal fee (\$75)
- One washing machine and three dryers (\$1,992)
- Hotel room for staff transporting an offender (\$107)
- A plane ticket for an extradition from California (\$823)

We also identified questionable IWF purchases due to varying policy interpretations over time or across facilities. For example, one purchase was for an ice and water dispenser for the infirmary that cost around \$5,200. The department indicated that an ice and water dispenser for the infirmary is no longer considered an appropriate IWF expense. Another purchase was for a professional license renewal fee for an individual inmate (\$400). While we do not question that a professional license renewal for an individual inmate would benefit the inmate, this did not meet department policy on the use of Facility IWF funds since it benefited only one inmate. Facility IWF funds are intended to be used for the collective benefit of the inmates. We also learned that a professional license renewal fee would not be an approved IWF expense at all facilities due to varying interpretations of policy.



Weightlifting equipment at Montana State Prison purchased from the Inmate Welfare Fund.

Additionally, we identified some expenditures that were questionable in terms of whether they should have been considered part of the state's or facility's responsibility. These included: items provided to indigent inmates, equipment used for inmates to do legal research, and annual license renewal for a GED study program.

Questionable expense: Items provided to indigent inmates

The department regularly paid for items for inmates on indigent status at all facilities from the IWF, which is specifically allowed in department policy. Indigent status refers to the status applied to an offender who has insufficient funds to purchase hygiene or legal supplies from the facility canteen. We believe items provided to indigent inmates, items like basic hygiene supplies and supplies for legal communication, fall under the state's responsibility and were not appropriate IWF expenses. The cost for indigent items in the sample we reviewed was \$9,450. The department estimated the annual expense for indigent kits across all facilities is approximately \$28,000.

Questionable expense: Equipment used for inmates to do legal research

Another questionable IWF expense was the purchase of 13 computers and printers for inmates to access department policy and do legal research. This was an approximately \$12,000 purchase in fiscal year 2019. We found using IWF to pay for the equipment inmates use to do legal research was questionable since it is well-established that adequate access to the courts for inmates is a state responsibility. The state currently covers most of the ongoing subscription costs for access to electronic legal reference materials on the equipment. However, the IWF pays for a portion of the monthly subscription costs for access to legal reference materials that are in addition to those the state is legally required to provide. We did not find using IWF to pay for access to additional legal materials to be questionable, but we found the purchase of the equipment inmates use for legal research from the IWF to be questionable.

Questionable expense: Annual license renewal for GED study program

The other questionable expenses we identified in our sample were two instances of a \$1,350 annual licensing fee for a GED study program. Both were IWF expenses at Crossroads Correctional Center, which is a contracted facility. These should have been facility expenses as the GED program could be considered a contractual requirement, and GED program items are not paid out of the IWF in other facilities.

Some administrative requirements were not followed or did not reflect current practice

We found not all facilities followed some of the administrative requirements in policy regarding the processing of requests for IWF funds, and some requirements did not reflect current practice. For example, we found discrepancies across facilities in the use of the required form for making IWF requests. While required in policy, the department does not require the form in practice for ongoing, fixed expenses, such as for correctional television services. Fixed expenses varied somewhat across facilities. Additionally, some facilities did not use the form to process IWF requests and instead used other forms. Another administrative requirement that all facilities

Questionable Expenses:



Items provided to indigent inmates.



Equipment used for inmates to do legal research.



Annual license renewal for GED study program.

did not consistently follow was the requirement to meet monthly with inmate representatives. One facility did not meet monthly with inmate representatives as required in policy due to the short stay of residents at this facility. We also identified some areas of Global Fund policy that did not reflect current practice, such as requiring Global Fund requests to be submitted 45 days before the inmate's release date. These requests are submitted and processed much closer to the inmate's release date. Global Fund policy was also unclear on when an inmate was eligible for transportation assistance upon release from this funding source.

Inappropriate IWF purchases leave less money available for the benefit of inmates

Items purchased from the IWF include many items for recreation or entertainment, like television services and recreational equipment. These items and activities make the prison safer for both officers and inmates. They can also help inmates stay connected to the wider community, which increases their chances of successful reentry into the community once released. When items are purchased inappropriately using the IWF rather than other funding sources, less money is available in the IWF for purchasing items that benefit the inmates. When IWF policy is not implemented consistently across facilities, inmates at different facilities do not consistently benefit from the use of the IWF. This leads to equity issues across the state's secure facilities. Equity issues can contribute to, among other outcomes, variability in rehabilitative success. This can also lead to higher costs to the state and to local communities through increases to recidivism.

One other state has clearer IWF policy

We talked to four other states administering an IWF-equivalent as part of the audit. The table shows how Montana compared with other states on the specificity of allowable expenses in IWF policy and other aspects of IWF administration.

One state, Washington, had much more detail in policy on what items or activities qualified

Other states administer an Inmate Welfare Fund differently.

State	Specificity of Fund Use in Policy	Formal Input from Offenders	Oversight Group	Fund Used for Indigent Kits	Recoup Cost for Indigent Items
Montana	Moderate	✓	✓	✓	
Idaho	Low			✓	
North Dakota	Low	✓	✓		
Washington	High				✓
Wyoming	Moderate			✓	✓

as appropriate IWF expenses. The primary consideration used by Washington for determining appropriate IWF expenses was whether the state would purchase the item(s) were the IWF nonexistent. While Montana's IWF policy had moderate detail on what items or activities are allowable, revisions and additional detail are needed. Montana obtains formal input from inmates and has an oversight group that approves high-dollar IWF expenses, and some states do not. Input from inmates and an oversight group are important components of IWF administration.

However, both Washington and North Dakota pay for items for indigent inmates from General Fund and not IWF, viewing these items as the state's responsibility. We believe indigent items, especially basic hygiene items and supplies for legal communication, fall under the state's responsibility and that Montana should not pay for indigent items from the IWF. Washington and

Wyoming attempt to recoup the cost of some indigent items from inmates as inmates obtain funds. Montana could consider doing this as well.

IWF policy is vague and does not reflect current practice

Department policy on the IWF is vague. Facility administrators gave varying interpretations of department policy in terms of what was an appropriate IWF expense. Some indicated the number of inmates affected was the primary litmus test for IWF spending, while others indicated it was more about the purpose of the item being purchased. This has resulted in some questionable IWF purchases and inconsistencies in the application of policy across facilities. Policy enumerates some items and activities that are considered appropriate IWF purchases. However, it is not detailed enough to ensure consistent interpretation and application across facilities. Policy also lists indigent items as allowable IWF expenses, which we believe is an appropriate expenditure for the department. Some of the inappropriate IWF expenses we identified during file review were due to clerical errors or new staff not yet adequately trained on IWF policy. This suggested the need for the department to ensure all facilities are adequately trained on and understand department policy. As discussed, some of the administrative requirements in department policy did not reflect current practice. The department should ensure policy reflects current practice and that policy is consistently followed across facilities.

Recommendation

We recommend the Department of Corrections revise and implement department policy related to the Inmate Welfare Fund to:

- A. Add clarity on what items and activities qualify as appropriate expenses.
- B. Remove items for indigent inmates from allowable IWF expenses.
- C. Reflect current practice and expectations regarding the processing of requests for funds.

DEPARTMENT RESPONSE

DEPARTMENT OF CORRECTIONS



Greg Gianforte, Governor | Brian M. Gootkin, Director

May 31, 2022

Angus Maciver
Legislative Auditor
Office of the Legislative Auditor
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Helena, MT 69620-1705

RECEIVED
June 6, 2022
LEGISLATIVE AUDIT DIV.

RE: Performance Audit of Inmate Welfare Fund

Dear Mr. Maciver:

The Department of Corrections has reviewed the Performance Audit completed by the Legislative Audit Division. We have reviewed the recommendation in this report and have provided our response below.

Recommendation:

We recommend the Department of Corrections revise and implement department policy related to the Inmate Welfare Fund to:

- A. Add clarity on what items and activities qualify as appropriate expenses.
- B. Remove items for indigent inmates from allowable IWF expenses.
- C. Reflect current practice and expectations regarding the processing of requests for funds.

Response: Concur.

Corrective Action: The department will review and update the Inmate Welfare Accounts Policy to clarify the items and activities that qualify as appropriate expenses of the Inmate Welfare Fund (IWF). The department is not funded for indigent kits and will request this funding through the executive planning process. If this funding request is approved by the legislature, those policy updates will include a clarification that indigent kits will be paid from the department's general operating budget, rather than the IWF. Once the policy update is finalized, the department will complete training with the facilities and relevant stakeholders regarding the updated internal control policies and procedures that must be followed to ensure accuracy and compliance in the future.

Respectfully Submitted,

A blue ink signature of Brian M. Gootkin, Director.

Brian M. Gootkin, Director

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